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RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2017 AND 2016

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
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JUNE 30, 2017 AND 2016

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Independent Auditors' Report

To the Board of Commissioners
Rhode Island Convention Center Authority
Providence, Rhode Island

Report on the Financial Statements

We have audited the accompanying financial statements of the Rhode Island Convention Center Authority, a component unit of the State of Rhode Island, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Rhode Island Convention Center Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rhode Island Convention Center Authority as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the Authority is dependent upon annual appropriations of lease revenue by the General Assembly of the State of Rhode Island to fund debt service on its outstanding bonds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Rhode Island Convention Center Authority's basic financial statements. The accompanying supplementary information on pages 29 through 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017 on our consideration of the Rhode Island Convention Center Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rhode Island Convention Center Authority's internal control over financial reporting and compliance.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 28, 2017

As management of the Rhode Island Convention Center Authority (Authority), a Component Unit of the State of Rhode Island (State), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2017 (FY17) and June 30, 2016 (FY16). The Authority's financial statements, accompanying notes and supplementary information should be read in conjunction with the following discussion.

Introduction

The Authority was created in 1987 by the Rhode Island General Assembly as a public corporation, instrumentality, and agency of the State, having a distinct legal existence from the State and not constituting a department of State government. The Authority was created for the purpose of constructing, managing, and operating a facility to house conventions, trade shows, exhibitions, displays, meetings, banquets, and other events, as well as facilities related thereto such as parking lots and garages, connection walkways, hotels, and office buildings, including any retail facilities that are incidental to and located within any of the foregoing, and to acquire land. The Authority has managed its facilities through third-party management contracts since inception. The powers of the Authority are vested in a Board of Commissioners (Board) having eleven members. The Governor of the State has the power to appoint eight members. The Mayor of the City of Providence has the power to appoint two members and the City Council of the City of Providence has the power to appoint one member. The Chairperson, Vice Chairperson, Secretary, and Treasurer are elected by the members of the Board.

On December 2, 1993, the Rhode Island Convention Center (the Convention Center or RICC) and related garage facilities officially opened. The Authority is authorized to lease the Convention Center and the related facilities to the State and to issue its bonds and notes for any of its corporate purposes. The Authority manages the Convention Center and the related facilities pursuant to the terms of a sublease agreement, dated November 1, 1991, as amended, by and between the State, as sublessor, and the Authority, as sublessee (the Sublease). The venue attracts a wide range of local, regional, national, and even international events and generates significant economic impact for the City of Providence (City) and the State.

In 2005, the Authority's enabling legislation was amended to clarify that the Authority could also own, operate, and finance a "civic center." In December 2005, the Authority issued bonds to finance the acquisition of the Dunkin' Donuts Center (DDC) from the City. The DDC is home to the Providence College men's basketball team (the Friars) and the American Hockey League Providence Bruins, the Boston Bruins' highest-level minor league team. The DDC is also the venue for touring family shows, concerts, and other special events. Seating at the DDC is 12,500 for basketball, 11,000 for ice hockey, and 14,500 for center stage events. The Authority completed significant renovations to the DDC in June 2010.

The Authority leases the DDC to the State in an arrangement similar to that for the Convention Center. Rental payments from the DDC lease are applied to payments of bonds initially issued for the acquisition and renovation of the DDC. The DDC is a significant participant in and leader of the overall downtown Providence redevelopment. The renovated DDC represents a tangible and visible demonstration of government commitment to revitalizing the capital city and is a vital economic engine, with many positive and quantifiable multiplier effects on the local and regional economies.

The Providence / Warwick Convention & Visitors Bureau markets Rhode Island to local, regional, national, and international audiences. The Convention Center's marketing partners, including area hotels and restaurants, highlight the renovations / expansions of the DDC to attract larger conventions and meetings.

In July 2008, the Authority assumed the management of the Veterans Memorial Auditorium, rebranded as The Vets, from the Veterans Memorial Auditorium Foundation, with the approval of the State's Department of Administration (DOA). The Vets is one of the oldest arts venues in Rhode Island and is on the National Register of Historic Places. Operation of The Vets is shared by the DOA and Professional Facilities Management Inc. of Providence (PFM). Spectacor Management Group (SMG) provides as-needed ancillary support to The Vets. PFM manages the marketing, bookings, and box office. The DOA is responsible for utilities, snow removal, and other ancillary operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements.

The Authority engages only in business-related functions, financed in whole or part by assessments to external stakeholders for goods and services. Consequently, the Authority's financial statements include the statement of net position; statement of revenues, expenses, and changes in net position; statement of cash flows; and notes to the financial statements. These financial statements are intended to provide the reader with a broad overview of the Authority's financial status, similar to private-sector entities.

The statement of net position presents detail on the Authority's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Changes in the Authority's net position serve as a useful indicator of whether the Authority's financial position is improving or deteriorating. Readers should also consider other non-financial factors when evaluating the Authority's net position. The statement of revenues, expenses and changes in net position presents information regarding how the Authority's net position changed during the year.

All assets, liabilities, and changes in net position are reported as soon as the underlying event affecting the asset or liability, or deferred outflow or inflow, and resulting change in net position occurs, regardless of the timing of when the cash is received or paid (accrual basis of accounting for governmental entities). Consequently, certain revenues and expenses reported in the statement of revenues, expenses and changes in net position result in cash flows in future periods.

The Authority is dependent upon annual State appropriations of lease revenue by the General Assembly of the State to fund debt service on its outstanding bonds and capital improvements from the State's Rhode Island Capital Plan Fund (RICAP). The Authority's annual appropriations, exclusive of working capital advances, consist of the following:

	FY17	FY16
Debt service	$ 22,464,524	$ 22,968,419
Capital improvements from RICAP	1,671,724	1,420,160
	$ 24,136,248	$ 24,388,579

2017 Financial Highlights

Total liabilities exceeded total assets and deferred outflows of resources by $54,746,192 (net deficit position) at June 30, 2017. Net position totaling ($1,468,312) is unrestricted. Net position totaling $826,000 is restricted to be utilized principally for renewal and replacement of capital assets and operating expenditures as reflected in the Authority's bond documentation. The Authority's net deficit position invested in capital assets, net of related debt, totaling ($54,103,880), is attributable to the DDC acquisition and renovation, related long-term outstanding debt, and associated depreciation of the Authority's capital assets.

Operating loss for FY17 totaled $11,942,849, an increase of $1,188,016 when compared to FY16.

Net deficit position decreased by $2,126,205 during FY17.

Overall events hosted by the Authority's operating facilities were as follows:

	FY17	FY16
Convention Center	246	272
DDC	136	128
The Vets	80	81
	462	481

2016 Financial Highlights

Total liabilities exceeded total assets and deferred outflows of resources by $56,872,397 (net deficit position) at June 30, 2016. Net position totaling ($1,252,754) is unrestricted. Net position totaling $2,241,354 is restricted to be utilized principally for renewal and replacement of capital assets and operating expenditures as reflected in the Authority's bond documentation. The Authority's net deficit position invested in capital assets, net of related debt, totaling ($57,860,997), is attributable to the DDC acquisition and renovation, related long-term outstanding debt, and associated depreciation of the Authority's capital assets.

Operating loss for FY16 totaled $10,754,833, a decrease of $2,061,327 when compared to FY15.

Net deficit position decreased by $3,385,773 during FY16.

Overall events hosted by the Authority's operating facilities were as follows:

	FY16	FY15
Convention Center	272	263
DDC	128	139
The Vets	81	71
	481	473

Condensed Comparative Information

The following table reflects a summary of changes in certain balances in the statements of net position, and revenues, expenses and changes in net position (in thousands):

	2017	2016	2015	Increase (decrease) 2017 v 2016	Increase (decrease) 2016 v 2015
Net Position					
Current assets	$ 6,784	$ 10,644	$ 9,486	$ (3,860)	$ 1,158
Capital assets, net	137,302	145,935	154,115	(8,633)	(8,180)
Other noncurrent assets	630	701	772	(71)	(71)
Total assets	144,716	157,280	164,373	(12,564)	(7,093)
Deferred outflows of resources	4,366	4,831	5,248	(465)	(417)
Current liabilities	18,465	21,335	18,916	(2,870)	2,419
Noncurrent liabilities	185,363	197,648	210,963	(12,285)	(13,315)
Total liabilities	203,828	218,983	229,879	(15,155)	(10,896)
Net Deficit Position	$ (54,746)	$ (56,872)	$ (60,258)	$ 2,126	$ 3,386
Changes in Net Position					
Operating revenues	$ 28,949	$ 28,081	$ 23,776	$ 868	$ 4,305
Operating expenses	40,892	38,836	36,592	2,056	2,244
Operating loss	(11,943)	(10,755)	(12,816)	(1,188)	2,061
Nonoperating revenue (expenses), net	14,069	14,141	9,594	(72)	4,547
Change in Net Deficit Position	$ 2,126	$ 3,386	$ (3,222)	$ (1,260)	$ 6,608
Components of Net Deficit Position					
Net investment in capital assets	$ (54,104)	$ (57,861)	$ (62,411)	$ 3,757	$ 4,550
Restricted	826	2,241	4,712	(1,415)	(2,471)
Unrestricted	(1,468)	(1,252)	(2,559)	(216)	1,307
Total Net Deficit Position	$ (54,746)	$ (56,872)	$ (60,258)	$ 2,126	$ 3,386

2017 Financial Analysis

Total assets of the Authority decreased by $12,565,109 as of June 30, 2017 compared to June 30, 2016. Current assets decreased in 2017 by $3,860,888 in comparison to 2016. Net capital assets decreased by $8,633,235, which is primarily attributable to depreciation offset by capital improvements to the RICC and DDC. Noncurrent assets, other than capital assets, decreased by $70,984.

Deferred outflows of resources decreased by $464,312 as of June 30, 2017 due to amortization of net deferred losses on refundings.

During 2017, the Authority reduced its debt through scheduled principal payments of $11,440,000 on outstanding bonds payable offset by amortization of related bond premiums and discounts.

Total liabilities of the Authority at June 30, 2017, exclusive of bonds payable, decreased by $2,300,959 due to changes in the timing of events and related payments.

2017 Operating Activity

Operating revenues of the Authority increased by $869,510 compared to 2016, which is attributable to increases at the DDC and Vets offset by a decrease in revenues at the Convention Center.

Total operating expenses increased by $2,057,528 due principally to increased payroll at the DDC and Vets, increased utilities at the Convention Center, and increased event expenses at the DDC.

As a result of the above, the operating loss to the Authority was $11,942,850 in 2017 compared to $10,754,833 in 2016.

2016 Financial Analysis

Total assets of the Authority decreased by $7,091,707 as of June 30, 2016 compared to June 30, 2015. Current assets increased in 2016 by $1,158,648 in comparison to 2015. Net capital assets decreased by $8,179,371, which is primarily attributable to depreciation offset by capital improvements to the RICC and DDC. Noncurrent assets, other than capital assets, decreased by $70,985.

Deferred outflows of resources decreased by $417,848 as of June 30, 2016 due to amortization of net deferred losses on refundings.

During 2016, the Authority reduced its debt through scheduled principal payments of $11,330,000 on outstanding bonds payable offset by amortization of related bond premiums and discounts.

Total liabilities of the Authority at June 30, 2016, exclusive of bonds payable, increased by $2,251,782 due to changes in the timing of events and related payments.

2016 Operating Activity

Operating revenues of the Authority increased by $4,305,339 compared to 2015. Each of the Authority's operating facilities experienced increased revenues during FY16 with the majority of the increase attributable to the Convention Center.

Total operating expenses increased by $2,244,012 due principally to increased payroll and event expenses at the Convention Center and the Vets to support increased event activity.

As a result of the above, the operating loss to the Authority was $10,754,833 in 2016 compared to $12,816,160 in 2015.

Requests for Information

This financial report is designed as a general overview of the Authority's financial picture for external and internal stakeholders. Questions concerning any of the information provided in this report or public requests for information should be addressed to the Rhode Island Convention Center Authority, One LaSalle Square, Providence, RI 02903.

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	$ 4,015,953	$ 6,332,392
Cash and cash equivalents, restricted	826,000	2,241,354
Accounts receivable, less allowance for doubtful accounts of $102,115 and $103,587 in 2017 and 2016, respectively	1,397,096	1,310,556
Due from State	56,300	272,229
Prepaid expenses and other assets	488,343	488,050
Total current assets	6,783,692	10,644,581
Noncurrent assets:		
Capital assets not being depreciated	47,647,661	47,100,545
Capital assets being depreciated, net	89,654,265	98,834,616
Prepaid expenses and other assets	629,991	700,975
Total noncurrent assets	137,931,917	146,636,136
Total assets	144,715,609	157,280,717
Deferred Outflows of Resources:		
Deferred charge on refunding	4,366,261	4,830,573
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	4,166,363	5,687,376
Unearned advances	3,188,911	4,208,042
Current portion of bonds payable	11,110,000	11,440,000
Total current liabilities	18,465,274	21,335,418
Noncurrent liabilities:		
Unearned advances, less current portion	700,721	461,538
Bonds payable, less current portion	184,662,067	197,186,731
Total noncurrent liabilities	185,362,788	197,648,269
Total liabilities	203,828,062	218,983,687
Net (Deficit) Position:		
Net investment in capital assets	(54,103,880)	(57,860,997)
Restricted by bond indentures	826,000	2,241,354
Unrestricted	(1,468,312)	(1,252,754)
Total Net Deficit Position	$ (54,746,192)	$ (56,872,397)

The accompanying notes are an integral part of the financial statements

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Operating Revenues:		
Charges for services	$ 28,703,564	$ 27,781,883
Other	245,837	299,634
Total operating revenues	28,949,401	28,081,517
Operating Expenses:		
Personnel services	17,004,420	15,672,866
Contractual services	4,017,977	3,897,233
Utilities	2,025,721	1,729,832
Repairs and maintenance	913,630	954,288
Other supplies and expenses	6,450,392	6,158,658
Depreciation	10,480,111	10,423,473
Total operating expenses	40,892,251	38,836,350
Operating Loss	(11,942,850)	(10,754,833)
Nonoperating Revenues (Expense):		
State appropriations (inclusive of RICAP appropriation of $1,671,724 and $1,420,160 in 2017 and 2016, respectively)	24,136,248	24,388,579
Interest and investment revenue	7,380	1,243
Interest expense and related financing costs	(10,074,573)	(10,249,216)
Net nonoperating revenues	14,069,055	14,140,606
Change in Net Deficit Position	2,126,205	3,385,773
Net Deficit Position at Beginning of Year	(56,872,397)	(60,258,170)
Net Deficit Position at End of Year	$ (54,746,192)	$ (56,872,397)

The accompanying notes are an integral part of the financial statements

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash Flows from Operating Activities:		
Received from customers	$ 28,083,398	$ 29,439,359
Payments to suppliers for goods and services	(14,108,260)	(12,879,363)
Payments to employees	(17,391,345)	(15,269,113)
Net cash provided by (used in) operating activities	(3,416,207)	1,290,883
Cash Provided by Noncapital Financing Activities:		
Transfer from State	24,352,177	24,176,739
Cash Flows from Capital and Related Financing Activities:		
Payment for:		
Capital assets	(2,139,596)	(1,981,440)
Bonds payable, principal	(11,440,000)	(11,330,000)
Interest paid on bonds payable, net of related financing costs	(11,095,062)	(11,709,395)
Net cash used in capital and related financing activities	(24,674,658)	(25,020,835)
Cash Flows from Investing Activities:		
Interest on investments	6,895	1,218
Net Change in Cash and Cash Equivalents	(3,731,793)	448,005
Cash and Cash Equivalents at Beginning of Year	8,573,746	8,125,741
Cash and Cash Equivalents at End of Year	$ 4,841,953	$ 8,573,746

The accompanying notes are an integral part of the financial statements

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Reconciliation of Operating Loss to Net Cash Provided by (Used in) Operating Activities:		
Operating loss	$ (11,942,850)	$ (10,754,833)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:		
Depreciation	10,480,111	10,423,473
Provision for losses on accounts receivable	(1,472)	14,373
(Increase) decrease in operating assets:		
Accounts receivable and prepaid expenses	(84,583)	(497,957)
Prepaid expenses and other assets	70,691	55,795
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(1,158,156)	208,606
Unearned advances	(779,948)	1,841,426
Net Cash Provided by (Used in) Operating Activities	$ (3,416,207)	$ 1,290,883

The accompanying notes are an integral part of the financial statements

1. DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Rhode Island Convention Center Authority (Authority) is a public corporation and instrumentality created by the General Assembly of the State of Rhode Island and Providence Plantations (State) in 1987. The Authority was created to facilitate the construction and development of a convention center, parking garages and related facilities in a city or town within the State. It is a component unit of the State for financial reporting purposes and, as such, the financial statements of the Authority will be included in the State's comprehensive annual financial report.

In 2005, the Rhode Island House and Senate approved the issuance of bonds to finance the acquisition of the Dunkin' Donuts Center-Providence (DDC). The legislation authorized the Authority to issue $92,500,000 in revenue bonds to finance the acquisition from the City of Providence (City) of the real property and improvements constituting the DDC; the renovation, equipping, improvement, and redevelopment of the facility; and the costs of issuing and insuring the bonds.

In July 2008, the Authority entered into a lease with the State's Department of Administration (DOA) and commenced operations of the Veterans Memorial Auditorium (The Vets). Operation of The Vets is shared by the DOA and two facilities-management groups: Professional Facilities Management Inc. of Providence (PFM), and Spectacor Management Group (SMG). PFM manages the marketing, bookings and box office; SMG assists with the physical plant, mechanical operations and security with volunteer support provided by Johnson & Wales University students. The DOA is responsible for utilities, snow removal and other ancillary operational support.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external parties.

The Authority uses the economic resources measurement focus and accrual basis of accounting.

The Authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include the cost of services provided, administrative expenses and depreciation expense. All other revenues and expenses are reported as nonoperating revenues and expenses.

Revenue Recognition

Revenues are recognized on the accrual basis of accounting.

Charges for services consist primarily of the following event-related revenue:

RICC	Rental income, concessions and catering income and parking income.
DDC	Rental income, ticket sales, luxury suite income and concession income.
The Vets	Rental income, ticket sales and concession sales.

Cash and Cash Equivalents

The Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Cash and Cash Equivalents, Restricted

Unexpended proceeds from the sale of revenue bonds and cash reserves whose use is specified or limited by bond resolutions, enabling legislation, laws or third parties are reported as restricted cash and cash equivalents in the accompanying statements of net position and are classified as either current or noncurrent based on the maturity date of the underlying securities.

Investments

Money market investments having a remaining maturity of one year or less at the time of purchase are reported on the statements of net position at their amortized cost. All other investments are reported at fair value.

The Authority's enabling statute authorizes the Authority to invest in obligations of, or guaranteed by, the United States, or in certificates of deposit or time deposits secured by direct obligations of, or guaranteed by, the United States. The statute also authorizes the Authority to invest proceeds from the sale of any bonds in such obligations, securities and other investments as provided in the resolutions under which such bonds were authorized, principally commercial repurchase agreements.

Capital Assets and Depreciation

Capital assets are stated at cost. Cost includes direct and indirect project costs, as well as capitalized interest through the date of completion of each component of the Authority's property. The Authority defines capital assets as assets with an initial individual cost of more than $5,000 or repairs in excess of 10% of the asset's original cost and an initial estimated useful life in excess of one year.

Land and easements consist of land and an intangible asset. Land is recorded at cost and it is not depreciated. The intangible asset consists of a perpetual easement agreement and is recorded at fair value and it is not amortized. In accordance with GASB Statement No. 51, intangible assets with indefinite useful lives are not subject to amortization.

Equipment consists of facility furniture, fixtures and equipment.

Ordinary maintenance, repairs and replacements are charged directly to operations as incurred.

The Authority provides for depreciation using the straight-line method over the following estimated useful lives of the assets with one-half year of depreciation taken in the fiscal year the asset is placed in service and that of disposal.

Assets	Years
Land	-
Easements	-
Construction in progress	-
Building and facilities	25-30
Equipment	5-15

The Authority evaluates its capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized if the sum of the expected undiscounted future cash flows from the use and disposition of the asset is less than its carrying amount. Generally, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the estimated fair value of the asset. The Authority did not record any impairment losses during the years ended June 30, 2017 and 2016.

Deferred Outflows

The Authority reports a deferred charge on bond refunding in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Unearned Advances

Unearned advances arise when resources are received by the Authority before it has a legal claim to them. In subsequent periods, when the Authority has legal claim to the resources, revenue is recognized.

Bonds Payable

Included in revenue bonds payable are balances for bond discounts and premiums. These balances are amortized using the interest method, meaning amortization is based on interest payments over the terms of the series.

Net Position

The Authority's net position has been segregated into the following three components:

Net Investment in Capital Assets
Represents the net book value of all capital assets less the outstanding balances of bonds and other debt, and deferred inflows of resources, if any, used to acquire, construct or improve these assets, increased by deferred outflows of resources related to those assets, if any.

Restricted
Those that have been limited to uses specified either externally by creditors, contributors, laws or regulations of other governments or internally by enabling legislation or law; reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted
A residual category for the balance of net position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain items relating to the prior year have been reclassified to conform to the current year's financial statement presentation. The reclassifications have no effect on previously reported results.

2. CASH AND CASH EQUIVALENTS

Under the "Rhode Island Collateralization of Public Deposits Act," depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. These deposits were not required to be collateralized based on the criteria set forth in the Rhode Island Collateralization of Public Deposits Act. Cash and cash equivalents, including restricted amounts, consist of the following:

	2017	2016
Deposits held in Citizens, Santander, Webster and Coastway Banks	$ 4,015,953	$ 1,519,415
Short-term investments, cash equivalents	826,000	7,054,331
	$ 4,841,953	$ 8,573,746

At June 30, 2017 and 2016, the Authority had $4,040,425 and $7,663,565 respectively, on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Carrying amounts of the Authority's short-term investments, classified as cash equivalents, consist of the following:

	2017	2016
Money market accounts, Bank of New York	$ 826,000	$ 2,841,660
Repurchase agreements, Citizens and Santander Banks		4,212,671
	$ 826,000	$ 7,054,331

The Authority's money market accounts are invested in Fidelity Institutional Money Market Government Portfolio Class III as of June 30, 2017 and 2016. Each money market account is held by Bank of New York Mellon Trust Company, N.A., designed to maintain a stable share price of $1.00, and maintains a dollar weighted average maturity of 25 and 45 days as of June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, approximately 99% of the securities in which the funds are invested are backed by the full faith and credit of the United States Government; the remainder is neither insured nor guaranteed by the United States Government. As of June 30, 2017 and 2016, the funds were rated AAAmf by Moody's Investors Services (Moody's) and AAAm by Standard & Poor's (S&P). Fitch Ratings, Ltd. (Fitch) does not provide ratings for these funds.

These investments are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator, which is a stable $1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the money market mutual funds.

The overnight repurchase agreements were supported by U.S. Treasury securities held in the name of the respective bank. Under arrangements with Citizens Bank, N.A., and Santander Bank, N.A., excess cash balances are invested daily into overnight repurchase agreements. Each bank set aside government securities at least equal to the face amount of the repurchase agreement.

The bank balance of the Authority's cash and cash equivalents, excluding money market accounts, is as follows:

	2017	2016
Bank balance	$ 4,235,351	$ 6,172,259
Bank balance insured by federal and other depository insurance	628,889	595,007
Uninsured balance	3,606,462	5,577,252
Collateralized - collateral held by third-party custodian in the Authority's name	3,606,462	4,414,679
Uninsured and Uncollateralized	$ -	$ 1,162,573

Restricted cash equivalents consist of the following:

	2017	2016
Accounts mandated by bond indentures and required uses:		
Renewal and Replacement Account - capital costs and extraordinary costs of maintaining, repairing, replacing, renovating and improving each facility:		
Rhode Island Convention Center (RICC)	$ 233,941	$ 78,952
DDC	155,851	123,130
Operating Reserve Fund (Note 5) - operating and maintenance expenses of the RICC	77,456	1,754,719
General Revenue Fund - general operating expenses	240,715	166,873
2006 Series A Revenue Fund - operating expenses of the DDC	78	5
Total mandated by bond indentures	708,041	2,123,679
Arts Conservation and Maintenance Fund - conservation and maintenance of works of art acquired in prior years; payment of a DDC exterior public art site in conjunction with the Rhode Island State Council on the Arts and General Rebate Account	117,959	117,675
Total Restricted Cash Equivalents	$ 826,000	$ 2,241,354

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market value interest rates.

Although it has no established policy, the Authority manages its exposure to declines in fair values by limiting the term of liquid investments to less than 60 days.

Managed investments are subject to interest rate risk. The risk associated with investments maturing beyond 60 days is mitigated by continuous evaluation of the portfolio's performance. The Authority receives monthly investment performance reports from its investment advisor and reviews the reports to determine if market conditions reflect the investment performance policies of the Authority.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment and is measured by the assignment of a rating by a nationally recognized statistical rating organization to debt securities. Although it has no established policy, the Authority manages its exposure to credit risk by monitoring the ratings assigned to such securities, as applicable.

Concentration of Credit Risk

The Authority has no policy limiting an investment in any one issuer that is in excess of 5% of the Authority's total investments, however the Authority continually evaluates alternative investment options to diversify its portfolio and maximize interest income.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Authority's deposits and investments may not be returned. The Authority does not have a deposit or investment policy for custodial credit risk. The Authority manages the custodial credit risk of its cash and cash equivalents through analysis and review of the custodians' or counterparties' credit worthiness.

3. CAPITAL ASSETS

	2017			
	Balance, July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets not being depreciated:				
Land and easements	$ 46,808,078	$	$	$ 46,808,078
Construction in progress	292,467	581,155	(34,039)	839,583
Total capital assets not being depreciated	47,100,545	581,155	(34,039)	47,647,661
Capital assets being depreciated:				
Buildings and facilities	231,001,337			231,001,337
Equipment	30,139,668	1,299,760	(911,646)	30,527,782
Total capital assets being depreciated	261,141,005	1,299,760	(911,646)	261,529,119
Less accumulated depreciation for:				
Buildings and facilities	(138,720,322)	(8,173,664)		(146,893,986)
Equipment	(23,586,067)	(2,306,447)	911,646	(24,980,868)
Total accumulated depreciation	(162,306,389)	(10,480,111)	911,646	(171,874,854)
Total capital assets being depreciated, net	98,834,616	(9,180,351)	-	89,654,265
Capital Assets, Net	$ 145,935,161	$ (8,599,196)	$ (34,039)	$ 137,301,926

	2016			
	Balance, July 1, 2015	**Increases**	**Decreases**	**Balance June 30, 2016**
Capital assets not being depreciated:				
Land and easements	$ 46,808,078	$	$	$ 46,808,078
Construction in progress	177,689	284,816	(170,038)	292,467
Total capital assets not being depreciated	46,985,767	284,816	(170,038)	47,100,545
Capital assets being depreciated:				
Buildings and facilities	231,001,337			231,001,337
Equipment	30,314,631	2,129,324	(2,304,287)	30,139,668
Total capital assets being depreciated	261,315,968	2,129,324	(2,304,287)	261,141,005
Less accumulated depreciation for:				
Buildings and facilities	(130,546,658)	(8,173,664)		(138,720,322)
Equipment	(23,640,545)	(2,249,809)	2,304,287	(23,586,067)
Total accumulated depreciation	(154,187,203)	(10,423,473)	2,304,287	(162,306,389)
Total capital assets being depreciated, net	107,128,765	(8,294,149)	-	98,834,616
Capital Assets, Net	$ 154,114,532	$ (8,009,333)	$ (170,038)	$ 145,935,161

Substantially all capital assets at both June 30, 2017 and 2016, are pledged as collateral for the revenue bonds (see Note 5).

4. UNEARNED ADVANCES

Unearned advances consisted of the following as of June 30, 2017 and 2016:

	2017	**2016**
Current unearned advances:		
Advanced ticket sales	$ 877,105	$ 2,085,504
Deposits	1,601,345	1,552,673
Other unearned fees	710,461	569,865
Total current portion	3,188,911	4,208,042
Long-term unearned advances:		
Other unearned fees	700,721	461,538
Total	$ 3,889,632	$ 4,669,580

Advanced ticket sales consist of revenue collected prior to an event, including sales collected by the venues and through other outlets. Deposits include other fees collected by the venues for event and rental deposits and facility fees. Other unearned fees include unearned revenue relating to naming rights, sponsorship fees and luxury box agreements.

5. BONDS PAYABLE

The Authority's bond indebtedness at June 30, 2017 and 2016, is as follows:

	Date of Issue	Date of Maturity	Interest Rate (%)	Original Issue	2017	2016
Bonds Payable:						
Revenue Bonds, 2006 Series A	06/08/06	05/15/35	5.38% - 6.06%	$ 92,500,000	$ 74,530,000	$ 76,810,000
Refunding Revenue Bonds:						
2009 Series A	03/25/09	05/15/27	3.00% - 5.50%	70,735,000	64,800,000	66,075,000
2013 Series A	04/04/13	05/15/20	2.00% - 5.00%	37,335,000	21,835,000	29,340,000
2015 Series A	04/01/05	05/15/23	2.00% - 5.00%	31,900,000	31,275,000	31,655,000
Total Bonds Payable					$ 192,440,000	$ 203,880,000

The Authority is limited to the issuance of bonds or notes in an aggregate principal amount of $305,000,000. At June 30, 2017 and 2016, outstanding bond and note indebtedness totals $192,440,000 and $203,880,000, respectively.

In June 2006, the Authority issued Civic Center Revenue Bonds, 2006 Series A (federally taxable) (2006 Series A Bonds), in an aggregate principal amount of $92,500,000 for the purpose of (i) financing or refinancing the acquisition, renovation, equipping, improvement and redevelopment of the DDC, (ii) redeeming the $33,000,000 Civic Center Revenue Bonds, 2005 Series A, previously issued by the Authority, (iii) paying the costs of issuance, and (iv) paying capitalized interest on the 2006 Series A Bonds. The bonds mature between 2008 and 2035 and bear interest at rates ranging from 5.38% to 6.06%.

In March 2009, the Authority issued Refunding Revenue Bonds, 2009 Series A (2009 Series A Bonds), in an aggregate principal amount of $70,735,000 for the purpose of (i) redeeming the outstanding $59,210,000, 2001 Series A Bonds, (ii) financing the termination of a swap agreement, (iii) purchasing debt service reserve insurance and bond insurance under a financial guaranty policy, and (iv) paying the costs of issuance. The bonds mature between 2011 and 2027 and bear interest at rates ranging from 3.00% to 5.50%.

Concurrent with the issuance of the 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corp. (AGC). The policy provides maximum coverage for principal and interest payments on the 2009 Series A Bonds of $127,472,366. Coverage under the policy expires on May 15, 2027. In August 2016, AGC was rated by Moody's as A2. In July 2016, AGC was rated by S&P as A. Fitch no longer provides ratings of AGC.

Simultaneous with the issuance of the 2009 Series A and Series B Bonds (2009 Series Bonds), a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp., formerly Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of $16,230,945. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the 2009 Series Bonds are no longer outstanding. Coverage under the policy expires on May 15, 2027. In August 2016, FSA was rated by Moody's as A2. In July 2016, FSA was rated by S&P as A. Fitch no longer provides ratings of FSA.

During March 2013, the Authority issued Refunding Revenue Bonds, 2013 Series A, in an aggregate principal amount of $37,335,000 for the purpose of refunding the Authority's outstanding Refunding Revenue Bonds, 2003 Series A, refunding a portion of the Authority's Refunding Revenue Bonds, 1993 Series B, and to pay costs of issuance. The bonds bear interest at rates ranging from 2.00% to 5.00% and mature in varying installments beginning May 15, 2015 through May 15, 2020. The debt service prior to refunding was $53,325,950 while the debt service subsequent to the refunding was $46,426,283; therefore, the refunding resulted in savings of $6,899,667, the present value of which was $6,444,627.

During April 2015, the Authority issued its Refunding Revenue Bonds 2015 Series A in an aggregate amount of $31,900,000 for the purpose of refunding the Authority's outstanding Refunding Revenue Bonds, 2005 Series A and refunding a portion of the Authority's outstanding Refunding Revenue Bonds 1993 Series B and to pay costs of issuance. The final principal and interest payment for the 1993 Series B occurred on May 15, 2015. The bonds mature between 2015 and 2023 and bear interest at rates ranging from 2.00% to 5.00%. This refunding resulted in savings in debt service in FY15 equal to $3,452,078.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of the Authority, at amounts ranging from 100% to 102% of the principal balance.

At June 30, 2017 and 2016, the Authority had no outstanding in-substance defeased debt.

Outstanding indebtedness is collateralized by all rents receivable (if any) under a lease and agreement between the Authority and the State covering all property purchased by the Authority for the site (see Note 7), all other revenues and receipts from the project, a mortgage on constructed facilities, land financed by proceeds of the bonds, and amounts held in various accounts into which bond proceeds were deposited. In addition, outstanding indebtedness is insured under certain financial guaranty insurance policies.

Maintenance of Funds

Each of the bond resolutions contains certain restrictive covenants. During the years ended June 30, 2017 and 2016, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures. During the years ended June 30, 2017 and 2016, the Authority was unable to fund the Renewal and Replacement requirement of the restrictive covenant for the DDC pursuant to the indenture.

Rhode Island Capital Plan Fund (RICAP)

As an operational alternative, the Authority and the DOA entered into three agreements that provide for total appropriations from RICAP of $6,475,000 for the purpose of addressing the renewal and replacement requirement included in the 2006 Series A Bonds (DDC), $5,500,000 for the purpose of funding renovations and repairs to the RICC and $500,000 for the purpose of building a parking garage adjacent to the Garrahy Judicial Complex in Providence, Rhode Island.

Under the agreement for the DDC, the Authority was authorized to receive funding of $925,000 in FY14 and annual appropriations of $1,387,500 through FY19, with a subsequent increase to $1,850,000 through FY21.

Under the agreement for the RICC, the Authority was authorized to receive funding of $500,000 in FY13, $1,000,000 in FY14, and will receive annual appropriations of $1,000,000 through FY21.

Under the agreement for the Garrahy Judicial Complex Parking Garage, the Authority was authorized to receive funding of $500,000 to be used for construction. The RICAP funding is to be repaid upon issuance of bonds to be issued for the construction of the Facility.

Any unexpended funds from one fiscal year will be recommended to be reappropriated to the subsequent fiscal year. During FY17, the Authority received appropriations for the DDC totaling $416,205, for the RICC totaling $943,446, and for the Garrahy Garage Project of $312,073, all of which included carryover funding from the prior fiscal year. These funding allocations are included in nonoperating revenues in the accompanying 2017 and 2016 statements of revenues, expenses and changes in net position.

At June 30, 2017, aggregate scheduled principal and interest payments due on the Authority's bonds through maturity are as follows:

Year Ending June 30,	Principal	Interest
2018	$ 11,110,000	$ 10,463,464
2019	11,660,000	9,905,776
2020	12,240,000	9,312,244
2021	14,350,000	8,693,082
2022	15,085,000	7,949,512
2023-2027	85,210,000	27,718,466
2028-2032	24,345,000	10,185,266
2033-2037	18,440,000	2,278,560
	192,440,000	$ 86,506,370
Bond premium	4,178,086	
Bond discount	(846,019)	
Bonds Payable	$ 195,772,067	

Changes in bonds payable during the years ended June 30, 2017 and 2016, were as follows:

	2017				
	Balance, July 1, 2016	**Additions**	**Reductions**	**Balance June 30, 2017**	**Amounts Due Within One Year**
Bonds payable:					
Revenue bonds	$ 203,880,000	$	$ (11,440,000)	$ 192,440,000	$ 11,110,000
Bond premium	5,710,069		(1,531,983)	4,178,086	
Bond discount	(963,338)		117,319	(846,019)	
Total	$ 208,626,731	$ -	$ (12,854,664)	$ 195,772,067	$ 11,110,000

	2016				
	Balance, July 1, 2015	**Additions**	**Reductions**	**Balance June 30, 2016**	**Amounts Due Within One Year**
Bonds payable:					
Revenue bonds	$ 215,210,000	$	$ (11,330,000)	$ 203,880,000	$ 11,440,000
Bond premium	7,648,862		(1,938,793)	5,710,069	
Bond discount	(1,085,020)		121,682	(963,338)	
Total	$ 221,773,842	$ -	$ (13,147,111)	$ 208,626,731	$ 11,440,000

Surety Bonds

The Authority maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides the Authority with surety bond coverage to meet Debt Service Reserve Fund requirements for the RICC. The surety bond provides a maximum coverage of $15,200,000. Coverage under the surety bond expires on May 15, 2023.

The Authority maintains additional agreements with AMBAC for the RICC under which AMBAC provides the Authority with separate surety bond coverages to meet Debt Service Reserve Fund and Operating Reserve Fund requirements, respectively. The surety bond relating to the Debt Service Reserve Fund requirements replaced mandated investments and provides a maximum coverage of approximately $8,755,000. The surety bond relating to the Operating Reserve Fund requirements also replaced mandated investments and provides a maximum coverage of approximately $3,895,000. Coverage under both surety bonds expires on May 15, 2027.

The Debt Service and Operating Reserve Fund Facilities are required to have a credit rating in one of the three highest categories by Moody's and S&P. As of June 30, 2017 and 2016, AMBAC's credit rating did not meet the aforementioned requirement, however, the Authority acquired from Assured Guaranty Corporation a surety bond that meets the Debt Service Reserve Fund requirement for the RICC.

Debt Compliance

The Authority is required by the Internal Revenue Service, as well as its various bond resolutions, to comply with certain tax code provisions and bond covenants. The most significant of these include the following: all debt payments must be current, annual reports and budgets must be filed with the trustee, and the Authority must comply with various restrictions on investment earnings from bond proceeds.

The Authority is in compliance with all tax code provisions and bond covenants with exception of certain maintenance of funds requirements as explained above.

6. OTHER COMMITMENTS AND RELATED PARTY TRANSACTIONS

Collective Bargaining Agreements

At June 30, 2017, Spectacor Management Group (SMG), the management company that operates the RICC and DDC, has several collective bargaining agreements, which expire at various dates through April 2020, covering approximately 71% of SMG's labor force. Collective bargaining agreements expiring prior to June 30, 2018 cover approximately 57% of SMG's labor force.

SMG contributes to several union-sponsored multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover its union-represented employees. The risks of participating in these multi-employer plans differ from single-employer plans. The potential risks include, but are not limited to, the use of SMG's contributions to provide benefits to employees of other participating employers, SMG becoming obligated for other participating employers' unfunded obligations, and, upon SMG's withdrawal from a plan, SMG being required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability. SMG has no intention of withdrawing from the plans.

Contributions are payable monthly and are determined on the basis of the number of hours worked by the respective employees. The union pension plans do not account for plan assets and liabilities separately for participating employers. Accordingly, information regarding the plans' assets, liabilities and pension benefit obligations applicable to SMG is not available.

The Authority's legal counsel has determined that it is possible that the Authority could be responsible for funding the unfunded pension obligations attributable to SMG's labor force, past and present, who are beneficiaries of the union-sponsored multi-employer defined benefit plans to which SMG contributes, although the weight of the case law on this question would favor the Authority's position that it is not responsible for these obligations if it were to seek to avoid paying any actual withdrawal liability claim.

RICC and DDC Management Agreements

The Authority has a management agreement with SMG, the initial term of which expired on June 30, 2012, under which SMG provides various services relating to the operations of the RICC, its parking facilities and the DDC. The management agreement was extended through June 30, 2025. Contemporaneous with the extension of the management agreement, the Authority also extended agreements with certain other vendors through June 30, 2025. Based on the terms of the management agreement, the Authority funds payroll and related costs of SMG's labor force, which have been included in personnel services on the statements of revenues, expenses and changes in net position. For the years ended June 30, 2017 and 2016, SMG personnel services totaled $16,111,833 and $14,727,819, respectively. Negotiations between the Authority and SMG to restructure the term of the management agreement are in progress.

The Authority pays SMG an annual base management fee of $375,000 for the RICC and its parking garages and $100,000 for the DDC. Management fees are imbedded in the operating budgets of both entities and are requested in a monthly funding format. Both fees are adjusted annually by the annual percentage change in the "Consumer Price Index for all Urban Consumers, U.S. City Average All Items" (CPI), to a maximum of three percentage points (CPI Adjustment).

In addition to the base management fees, the Authority pays incentive compensation consisting of both quantitative and qualitative components. There is no quantitative element for the RICC. The quantitative component for the DDC is conditional upon the DDC achieving break-even results. Prior to break-even results, this fee equals 15% of the improvement over a net operating loss of approximately $300,000. Following break-even results, this fee equals 25% of the amount, if any, that exceeds the DDC's break-even number.

The qualitative portion of the incentive fee cannot exceed $25,000 annually for the DDC, adjusted annually by the CPI Adjustment. The qualitative incentive fee for the RICC cannot exceed 5% of its annual base management fee. The Authority did not pay either venue for incentive fees during 2017 or 2016.

The base management fees incurred for the years ended June 30, 2017 and 2016, totaled $499,140 and $494,199, respectively. The Authority advances funds to SMG to pay operating expenses of the RICC and the DDC.

Concurrent with the extension of the management agreement, SMG is committed to advance $750,000 in two equal installments to the Authority for operation and maintenance of the RICC, its parking garages and the DDC. The first installment was advanced in October 2011 and the second was due July 2017. The Authority's repayment of SMG's advances is forgiven ratably during the term of the agreement. Upon termination of the management agreement, any unforgiven balance shall be paid by the Authority to SMG within 30 days of expiration.

The Vets Management Agreement

The Authority has a management agreement with PFM, which expires on June 30, 2021, relating to the operations of The Vets. The agreement with PFM provides for annual payments of $125,000 for management services and $125,000 for centralized operating services.

Providence/Warwick Convention & Visitors Bureau (CVB)

Pursuant to an agreement between the Authority and the CVB, the CVB provides marketing and other services to the Authority; annual fees for these services were $630,000 for the years ended June 30, 2017 and 2016. The agreement was renewed effective July 1, 2016 through June 30, 2019 and provides for annual fees of $630,000.

7. LEASE REVENUE FROM STATE

The Authority maintains a Lease and Agreement, dated November 1, 1991 and amended July 1, 1993 (the Agreement), with the State. The Agreement establishes provisions for the Authority, as lessor, to lease the RICC and related facilities (including the land on which the sites are located) to the State. The State has the option to purchase the leased property at any time during the lease term for the sum of all obligations of the Authority then outstanding plus one dollar ($1). The lease term extends until such time as all outstanding indebtedness (see Note 5) is paid in full.

Minimum annual lease payments from the State are equal to the debt service costs of the Authority. In the event of an operating deficit (excluding depreciation), annual lease payments may be increased by the amount of the deficit. The obligation of the State to pay such rentals is subject to and dependent upon annual appropriations of such payments being made by the Rhode Island General Assembly for such purpose. Those appropriations are made in connection with the State's annual budgetary process and are therefore dependent upon the State's general financial resources and factors affecting such resources. The Authority was appropriated $22,464,524 and $22,968,419 for the years ended June 30, 2017 and 2016, respectively, from the State, exclusive of working capital advances and represents the anticipated gross debt service for the RICC and DDC.

The Authority's ability to continue operations is dependent upon receipt of the annual State appropriation of lease revenue.

The Authority has entered into a sublease agreement with the State, for a term equal to the term of the above Lease and Agreement, whereby the Authority subleases the RICC and related facilities from the State for one dollar ($1) per year.

8. COMMITMENT AND CONTINGENCIES

The Authority is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Authority's financial position or results of operations.

During the year, legislation was passed by the Rhode Island General Assembly allowing the Authority to issue up to $45 million in bonds to construct and operate the Garrahy Judicial Complex Parking Garage in Providence, Rhode Island. Bond issuance and construction of the Garrahy Judicial Complex Parking Garage is pending the execution of multiple purchase and sales agreements.

9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts, errors and omissions, property casualty and liability, and workers' compensation claims for which the Authority carries commercial insurance. Management believes the Authority has access to sufficient funds for potential claims, if any, that are subject to deductibles or are in excess of stated coverage maximums. The Authority is not aware of any potential claims. During the past five years, claims settled have not exceeded the Authority's coverage, and there have been no significant reductions in insurance coverage. Accordingly, the Authority has not recorded a reserve for potential claims.

10. RETIREMENT PLANS

The Authority sponsors two retirement plans: a defined contribution 401(a) plan and a deferred compensation 457(b) plan. The retirement plans allow for employee and discretionary employer contributions and cover substantially all full-time employees who meet the eligibility requirements. In both 2017 and 2016, the Authority contributed $22,848 and $28,801 to the 457(b) and 401(a) plans, respectively.

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

Payee	Purpose	Amount	Amount
Rhode Island Convention Center (RICC)			
Travel			
Arlene Oliva	IMEX Tradeshow - Hotel, Airfare, Taxi, Prkg, Mileage - Las Vegas, NV	$ 2,248	
Arlene Oliva	ASAE Annual Convention - Salt Lake City, UT - Air, Hotel, Taxi, Parking, Mileage	1,726	
John McGinn	NACS - Milwaukee, WI - Hotel, Taxi, Airfare	1,593	
Arlene Oliva	IAEE Expo - Anaheim, CA - Air, Hotel, Taxi, Parking, Mileage	1,486	
Melissa Avedisian	Connect - Grapevine, TX - Air, Hotel, Taxi	1,407	
Kathy Masino	F & B Conference - McCornick Place, Chicago, IL - Hotel, Air, Taxi	1,236	
Taylor Finley	Prostart - Charleston, SC - Airfare, Hotel	1,231	
John McGinn	IAEE Expo - Anaheim, CA - Hotel, Taxi	1,156	
Diane Richards	Washington DC - CSPI - Hotel, Airfare, Mileage, Taxi	1,037	
Patrick Varone	Connect - Charleston, SC - Hotel, Air, Mileage, Taxi	899	
John McGinn	Washington DC - Sales Mission - Airfare, Hotel, Taxis	884	
Melissa Avedisian	Teams Conference - Hotel, Taxi, Atlantic City, NJ - Hotel,	664	
Arlene Oliva	XDP Tradeshow - DC Hotel, Parking, Taxi, Mileage	640	
Lawrence Lepore	Travel Resource - Airfare - Long Beach - SMG GM Meeting	597	
John McGinn	IAEE Expo - Anaheim, CA - Airfare	574	
Jillian Cosgrove	Hasbro Toy Fair - New York, NY - Train Fare - J Cosgrove & M Avedisian	480	
Lawrence Lepore	Omni Hotel - Comic Con Weekend	323	
John McGinn	Airfare - Washington DC	289	
Amanda Wilmouth	Hasbro Toy Fair - New York, NY - Train Fare	262	
Various	Miscellaneous Amounts Under $200	358	
	Total Travel		$ 19,091
Meals and Entertainment			
Lawrence Lepore	Director's Luncheon - Capricco's	1,218	
Melissa Avedisian	Teams Conference & Expo - Atlantic City, NJ - Meals	356	
Christopher Spolidoro	Security Breakout Session - Meal	290	
John McGinn	Cookie Blitz - Staff Lunch After Deliveries	267	
Lawrence Lepore	Management Meeting: SMG, Sportservice, and P. Bruins - Capital Grille	266	
Arlene Oliva	IMEX America Tradeshow - Las Vegas, NV - Meals	257	
John McGinn	IAEE Expo - Anaheim, CA - Meals	216	
Rachel Martelly	Team Training Recap Luncheon - Trattoria Zooma	207	
Various	Miscellaneous Amounts Under $200	2,081	
	Total RICC Meals and Entertainment		5,158
	Total RICC Travel and Entertainment		24,249

(Continued on next page)

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
SCHEDULE OF TRAVEL AND ENTERTAINMENT EXPENSES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

Payee	Purpose	Amount	Amount
Dunkin' Donuts Center (DDC)			
Travel			
Travel Resources	Cheryl Cohen, John Ciolfi - Airfare - EAMC & SMG Conference - Tulsa, OK	$ 1,306	
Robert Lauro	SMG Meeting - Long Beach, CA - Hotel, Taxi, Checked Baggage	1,092	
Cheryl Cohen	EAMC & SMG Conference - Tulsa, OK - Hotel, Checked Baggage	945	
Cheryl Cohen	IBEA Conference - Nashville, TN - Hotel, Taxi	935	
Debra Polselli	IBEA Conference - Nashville, TN - Hotel, Taxi	832	
John Ciolfi	EAMC & SMG Conference - Tulsa, OK - Hotel, Checked Baggage	772	
Travel Resources	Robert Lauro - SMG Meeting - Long Beach, CA	597	
Travel Resources	Debra Polselli - IEBA Conference - Nashville, TN - Airfare	504	
Travel Resources	Cheryl Cohen - IEBA Conference - Nashville, TN - Airfare	504	
	Total DDC Travel		$ 7,486
Meals and Entertainment			
Sportservice	Stagehands - Meals - Disney - Oct'16	1,300	
Cheryl Cohen	IBEA Conference - Nashville, TN - Meals	308	
Cheryl Cohen	J Bolton, J Ciolfi, D Polselli - SMG/Booking/Mktg - Blu on the Water	257	
Debra Polselli	IBEA Conference - Nashville, TN - Meals	239	
Robert Lauro	SMG Meeting - Long Beach, CA - Meals	234	
Cheryl Cohen	EAMC & SMG Conference - Tulsa, OK - Meals	204	
Various	Miscellaneous Amounts Under $200	238	
	Total DDC Meals and Entertainment		2,781
	Total DDC Travel and Entertainment		10,267
Veterans Memorial Auditorium Arts and Cultural Center (VMA)			
Daniel Schwartz	Holiday Lunch - Cassarino's Ristorante	441	
Daniel Schwartz	Staff Show Night Dinner - Tommy's Pizza	260	
Various	Miscellaneous Amounts Under $200	2,823	
	Total VMA Meals and Entertainment		3,523
	Total Travel and Entertainment		$ 37,339

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
JUNE 30, 2017

Statement of Net Position	**Attachment B**
Assets:	
Current assets:	
Cash and cash equivalents	$ 4,015,953
Investments	
Receivables, net	1,397,096
Restricted assets:	
Cash and cash equivalents	826,000
Investments	
Receivables, net	
Other assets	
Due from primary government	56,300
Due from other component units	
Due from other governments	
Inventories	
Other assets	488,343
Total current assets	6,783,692
Noncurrent assets:	
Investments	
Receivables, net	
Restricted assets:	
Cash and cash equivalents	
Investments	
Receivables, net	
Other assets	
Due from other component units	
Capital assets - nondepreciable	47,647,661
Capital assets - depreciable, net	89,654,265
Other assets, net of amortization	629,991
Total noncurrent assets	137,931,917
Total assets	144,715,609
Deferred Outflows of Resources:	
Accumulated decrease in fair value of hedging derivatives	
Deferred loss on advance debt refunding	4,366,261
Deferred pension amounts	
Other deferred outflows of resources	
Total deferred outflows of resources	4,366,261

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RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT (CONTINUED)
JUNE 30, 2017

Statement of Net Position (Continued)		**Attachment B**
Liabilities:		
Current liabilities:		
Cash overdraft	$	
Accounts payable		4,166,363
Due to primary government		
Due to other component units		
Due to other governments		
Unearned revenue		3,188,911
Other current liabilities		
Current portion of long-term debt		11,110,000
Total current liabilities		18,465,274
Noncurrent liabilities:		
Due to primary government		
Due to other component units		
Due to other governments		
Net pension liability		
Net OPEB obligation		
Unearned revenue		700,721
Notes payable		
Loans payable		
Obligations under capital leases		
Compensated absences		
Other liabilities		
Bonds payable		184,662,067
Total noncurrent liabilities		185,362,788
Total liabilities		203,828,062
Deferred Inflows of Resources:		
Accumulated increase in fair value of hedging derivatives		
Deferred gains on refunding		
Deferred pension amounts		
Other deferred inflows of resources		
Total deferred inflows of resources		-
Net Position:		
Net investment in capital assets		(54,103,880)
Restricted for:		
Debt		
Other		826,000
Nonexpendable		
Unrestricted		(1,468,312)
Total Net Position	$	(54,746,192)

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
FOR THE YEAR ENDED JUNE 30, 2017

Statement of Activities	**Attachment C**
Expenses	$ 50,966,824
Program Revenues:	
Charges for services	28,703,564
Operating grants and contributions	
Capital grants and contributions	
Total program revenues	28,703,564
Net (expenses) revenues	(22,263,260)
General Revenues:	
Interest and investment earnings	7,380
Miscellaneous revenue	245,837
Total general revenues	253,217
Transfers from Primary Government	24,136,248
Extraordinary items	
Change in net position	2,126,205
Total Net Deficit Position - Beginning	(56,872,397)
Total Net Deficit Position - Ending	$ (54,746,192)

Attachment D

Schedule of Debt Service to Maturity
Long-Term Debt

Bonds Payable

Fiscal Year Ending June 30	Principal	Interest
2018	$ 11,110,000	$ 10,463,464
2019	11,660,000	9,905,776
2020	12,240,000	9,312,244
2021	14,350,000	8,693,082
2022	15,085,000	7,949,512
2023-2027	85,210,000	27,718,466
2028-2032	24,345,000	10,185,266
2033-2037	18,440,000	2,278,560
	$ 192,440,000	$ 86,506,370

RHODE ISLAND CONVENTION CENTER AUTHORITY
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATE OF RHODE ISLAND REQUIRED FORMAT
FOR THE YEAR ENDED JUNE 30, 2017

Attachment E

Schedule of Changes in Long-Term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Bonds payable	$ 203,880,000	$	$ (11,440,000)	$ 192,440,000	$ 11,110,000	$ 181,330,000
Net unamortized premium/discount	4,746,731		(1,414,664)	3,332,067		3,332,067
Bonds payable	208,626,731	-	(12,854,664)	195,772,067	11,110,000	184,662,067
Notes payable						
Loans payable						
Obligations under capital leases						
Net pension liability						
Net OPEB obligation						
Due to primary government						
Due to component units						
Due to other governments and agencies						
Unearned revenue	4,669,580		(779,948)	3,889,632	3,188,911	700,721
Compensated absences						
Reported as other liabilities:						
Arbitrage rebate						
Pollution remediation						
Items not listed above						
Other liabilities	-	-	-	-	-	-
	$ 213,296,311	$ -	$ (13,634,612)	$ 199,661,699	$ 14,298,911	$ 185,362,788

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Commissioners
Rhode Island Convention Center Authority
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Rhode Island Convention Center Authority, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Rhode Island Convention Center Authority's basic financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rhode Island Convention Center Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rhode Island Convention Center Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-002.

The Rhode Island Convention Center Authority's Response to Findings

The Rhode Island Convention Center Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. The Rhode Island Convention Center Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Rhode Island Convention Center Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rhode Island Convention Center Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

West Hartford, Connecticut
September 28, 2017

2017-001 **Review of Journal Entries, Account Reconciliations and Event Settlements**

Criteria Management is responsible for establishing and maintaining internal controls to ensure the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP).

Condition During our review of journal entries, we could not obtain evidence that reviews of journal entries, account reconciliations and event settlements took place.

Context During our 2017 audit, we noted the following:

1. Of 32 journal entries we reviewed from the Rhode Island Convention Center and the Dunkin' Donuts Center, we noted:

   a. Per the journal entry backup, 24 of the 32 journal entries that we reviewed did not have a signature from a reviewer on the journal entry.

   b. Subsequent to January 1, 2017, we noted that of 20 journal entries that were tested, 3 journal entries did not list a preparer, 8 journal entries did not have a reviewer and 1 journal entry was missing from the journal entry log.

   c. Subsequent to January 1, 2017, we noted that of the 20 journal entries that were tested, there were 15 instances where the documentation of the preparer and reviewer sign off (if any) on the journal entry did not agree between to the journal entry log maintained (if any).

   d. We observed the journal entry logs for the Rhode Island Convention Center for the months of March 2017, May 2017 and June 2017 and the journal entry logs for the Dunkin' Donuts Center for the months of January 2017, March 2017, May 2017 and June 2017. We noted that the logs were not complete, noting that the logs did not appear complete and many entries were missing preparer sign-offs and reviewer sign-offs.

2. Of 17 account reconciliations reviewed for reconciliation testing, we were not able to obtain evidence that reviews were properly performed. In addition, we noted:

   a. The Dunkin' Donuts Cash Operating account had an "other reconciling item" labeled as "miscellaneous (immaterial)" for $902.92 and $7,285.94 for January 2017 and May 2017, respectively.

   b. The Event Liability reconciliation for January 2017 had a line item labeled "Pbruins-1/29/17-Paid against???" for $2,383.66. We noted that the Event Liability had a line item labeled "Various" for $42,230.19 on the January 2017 and May 2017 reconciliations.

3. Of 10 event settlements that were reviewed between the Rhode Island Convention Center and the Dunkin' Donuts Center:

   a. 0 of 10 event settlements had a sign-off by a reviewer.

   b. Of the 5 Rhode Island Convention Center event settlements tested:

      i. 1 of 5 event settlements had evidence of the promoter's approval (e.g. authorized signature) on the settlement sheet.

      ii. The event settlements were completed within 11-22 days of the event.

   c. Of the 5 Dunkin' Donuts Center event settlements tested:

      i. The Finance Director had signed off as preparer. Four event settlements were completed the same day as the event and one event settlement was completed two days later.

      ii. There were two events on February 2, 2017 and March 4, 2017 that were resettled on March 29, 2017. We noted no additional documentation relating to the resettlement.

Effect When journal entries, account reconciliations and event settlements are not appropriately reviewed, it is possible that errors at the Rhode Island Convention Center and the Dunkin' Donuts Center, whether accounting errors, bank errors, or fraud, would not be prevented or detected and corrected, on a timely basis. In addition, it is also reasonably possible that not all expenses are captured during the event settlement process, meaning the Authority likely absorbed more expenses then contractually obligated. The impact of these issues, combined with the expenses being absorbed rather than being reimbursed as allowed in the event agreements, create a possibility that would not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis.

Cause Management was not reviewing or documenting their review of journal entries, account reconciliations and event settlements.

Recommendation

We recommend that SMG management ensure that all bank reconciliations, journal entries and event settlements be reviewed by an individual not involved in the preparation of the bank reconciliation, journal entries and event settlements as a customary part of the accounting process.

SMG personnel should document who reviewed account reconciliation and document when the review was completed. This can be done by signing off on the appropriate document with the date the review was completed.

The SMG personnel performing the review should ensure that all necessary and appropriate information is attached to the bank reconciliation, journal entry and entry settlement.

Views of Responsible Officials and Planned Corrective Action

SMG Response

Subsequent to issuance of the audit report, SMG will implement processes for timely reconciliations and documented sign-off/oversight to efficiently and effectively prepare financial statements.

The account reconciliations are completed by accounting staff. The monthly system generated trial balance will be reviewed by the SMG Controller, and will be reviewed by the SMG Finance Director, prior to the 15th day of the month. Evidence of the review by management will be documented by the signature and date on the system generated trial balance in the month-end closing folder.

SMG will prospectively use a system generated journal entry report that will be reviewed by the SMG Controller and the SMG Finance Director. Evidence of the review by management will be documented by the signature and date on the system generated journal entry report in the month-end closing folder.

Event settlements will be reviewed by the SMG General Manager and will be evidenced by his physical sign-off on the settlement sheet or documented in an email that the SMG General Manager approves the event settlement.

Authority Response

The Authority will utilize its contract CFO consultant to perform limited internal audit functions to monitor management's implementation of internal controls.

2017-002 Restrictive Covenants

Criteria Bond indentures require that the Authority fund the Operating Reserve and Renewal and Replacement components.

Condition During the years ended June 30, 2017 and 2016, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures. During the years ended June 30, 2017 and 2016, the Authority was unable to fund the Renewal and Replacement requirement of the restrictive covenant for the DDC pursuant to the indenture.

Context The Authority is currently in violation of its debt indentures.

Effect As a result of these funds not being funded, the Authority is in noncompliance with bond indentures.

Cause The Authority does not have sufficient cash flow to fund the Operating Reserve and Renewal and Replacement components.

Recommendation We recommend that the Authority fund the Operating Reserve and Renewal and Replacement Funds.

Views of Responsible Officials and Planned Corrective Action

Authority Response

The Authority will fund the Operating Reserve and Renewal Replacement components noted above, provided there is sufficient cash flow.

Given that Authority continues to make timely and complete debt service payments, it would make little sense for the trustee to declare a default for reserve fund noncompliance. In fact, this has been the practical practice over several years as the Authority has failed to maintain adequate reserves due to insufficient State appropriations. If a default was declared, the Authority would have 90 days to cure and would seek a legislative appropriation to remedy the default. Of course, annual appropriations in excess of debt service requirements would assist in building reserves and reaching the requirements.